

Message Text

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ACTION NEA-16

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FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 0452

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FROM WOLLE MUSCAT

EO 11652: NA

TAGS: ENRG PBOR MU SA TC

SUBJ: OMAN PETROLEUM DEVELOPMENTS

REF: KUWAIT 2910

SUMMARY: WHILE JUST SORTING OUT DETAILS OF OMAN GOVERNMENT'S RECENT INCREASE FROM 25 TO 60 PERCENT PARTICIPATION IN PD(O), COMPANY WONDERING HOW LONG BEFORE OMANI OWNERSHIP APPETITE BECOMES EVEN LARGER. OUTPUT NOW AT 295,000 B/D AND SCHEDULED RISE TO 400,000 B/D BY LATE 1975. COMPANY PUSHING EXPLORATION ACTIVITY IN LEKHWAIR FIELD EAST OF SAUDI-UAE-OMANI BORDER INTERSECTION, BUT SOMEWHAT APPREHENSIVE OTHER TWO COUNTRIES MAY INTEND BORDER ADJUSTMENTS THAT WOULD PLACE LEKHWAIR OUTSIDE OMAN'S CONTROL. END SUMMARY

1. ACTING PD(O) MANAGER JENNINGS TELLS US COMPANY'S AGREEMENT WITH OMAN GOVERNMENT ANNOUNCED LATE JULY FOR 60 PERCENT GOVERNMENT PARTICIPATION IN PD(O) TOOK FORM OF MEMORANDUM OF UNDERSTANDING.

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AGREEMENT, WHICH RETROACTIVE TO JAN 1, 1974, NOT BEING FURTHER

FORMALIZED NOW. JENNINGS SAYS FINANCIAL PAYMENTS PERTINENT TO THIS INCREASE OF GOVERNMENT OWNERSHIP SHARE FROM 25 TO 60 PERCENT ALREADY ARRANGED AS OF JULY 31. SAID BUY-BACK PRICE AND PROVISIONS WOULD BE CONSISTENT WITH STANDARD PRACTICE IN GULF, BUT AVOIDED MENTIONING SPECIFIC FIGURES. JENNINGS REMARKED THERE NO USE FORMALIZING 60 PERCENT AGREEMENT NOW SINCE, IF SAUDIS SOON TAKE 100 PERCENT EQUITY IN ARAMCO, OMANIS MAY WELL DECIDE DO LIKEWISE WITH PD(O).

2. JENNINGS MENTIONED PD(O) PRODUCTION, WHICH NOW AT 295,000 B/D, WILL EXPAND TO 400,000 B/D BY SECOND HALF 1975 AS THREE NEW FIELDS AROUND QARN ALAM GATHERING POINT ARE GRADUALLY BROUGHT ONSTREAM; THUS 1975 PRODUCTION WILL AVERAGE 375,000 B/D. (THIS ADDITIONAL CRUDE WILL BE PUT THROUGH 20-INCH LINE NOW UNDER CONSTRUCTION TO JOIN PRESENT MAIN PIPELINE RUNNING TO MINA AL-FAHAL.) RECENTLY ANNOUNCED SAIH RUWL FIELD SCHEDULED GO ON STREAM IN 1976.

3. JENNINGS SPOKE OPTIMISTICALLY BUT WITH SOME "POLITICAL" CONCERN ABOUT PRESENT PD(O) EXPLORATION OF LEKHWAIR FIELD JUST EAST OF SAUDI-UAE-OMANI BORDER INTERSECTION. COMPANY FINDS LEKHWAIR MOST PROMISING EXPLORATION AREA IN PRESENT CONCSSION, DESPITE RATHER DIFFICULT RESERVOIR STRUCTURE. BUT IT SUSPECTS UAE OR SAG MAY BE THINKING OF SOME BORDER ADJUSTMENTS THAT WOULD PLACE LEKHWAIR OR THEIR SIDE OF THE LINE. JENNINGS SAID OMANI OFFICIALS RECENTLY STOPPED UAE ROAD TEAM THAT APPARENTLY WAS LAYING OUT UNAUTHORIZED ROAD IN OMAN TERRITORY FROM NEAR AL-AYN SOUTHWEST TOWARD TRI-BORDER INTERSECTION. HE POINTED OUT THAT ROAD LINKING THOSE POINTS MUCH EASIER AND CHEAPER TO CONSTRUCT IN OMAN THAN IN UAE TERRITORY, AS OMANI ROUTES WOULD SKIRT HEAVY SAND DUNES ON UAE SIDE OF FRONTIER. JENNINGS OBVIOUSLY NERVOUS ABOUT THIS UAE MOVE, ABOUT REPORTED SAG TENDERING FOR TARMAC ROAD EASTWARD FROM NEAR ABQAIQ TO SHAIBAH-ZARRARA REGION, AND NOW ABOUT WHAT IMPLICATIONS RECENT SAUDI-ABU DHABI BORDER AGREEMENT MAY HAVE FOR LEKHWAIR AREA. COMPANY APPARENTLY SUSPECTS DELIBERATE PINCERS MOVEMENT TO LOP OFF LEKHWAIR FROM OMAN. STOLTZFUS

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